

STATE OF ILLINOIS



ILLINOIS COMMERCE COMMISSION

Office of General Counsel

August 28, 1996

Ms. Donna Caton
Chief Clerk
Illinois Commerce Commission
527 East Capitol Street
P.O. Box 19280
Springfield, Illinois 62794-9280

Re: Ill. C.C. Docket No. 96 AB 003/4

Dear Ms. Caton:

Enclosed is the Response of the Staff of the Illinois Commerce Commission to AT&T's Motion to Sever TELRIC Cost Studies for Consideration in a Separate Proceeding.

Please acknowledge receipt by date-stamping and returning a duplicate copy of this letter in the envelope provided.

Sincerely,

A handwritten signature in black ink, appearing to read "David W. McGann", written over a horizontal line.

David W. McGann
Illinois Commerce Commission
160 N. LaSalle Street
Suite C-800
Chicago, Illinois 60601
(312) 793-2877

DWM/mtz
cc: Service List (w/encls.)

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

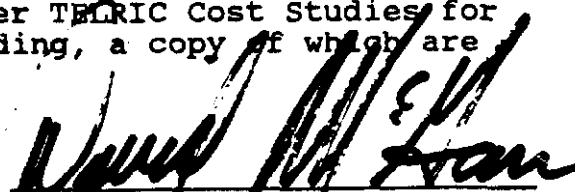
AT&T COMMUNICATIONS OF ILLINOIS, INC. :
:
Petition for arbitration of :
interconnection rates, terms and :
conditions and related arrangements : 96 AB 003
with Illinois Bell Telephone Company :
d/b/a Ameritech Illinois :

AMERITECH ILLINOIS :
:
Petition for arbitration of :
interconnection rates, terms and :
conditions and related arrangements : 96 AB 004
with AT&T of Illinois :

NOTICE OF FILING

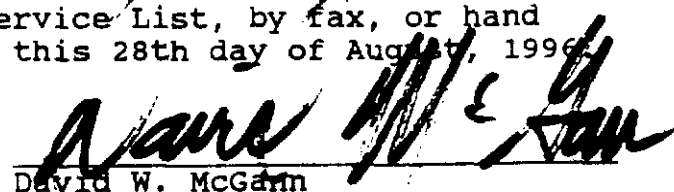
TO: All Parties on the Attached Service List

PLEASE TAKE NOTICE that I have on this 28th day of August, 1996, forwarded to Donna M. Caton, Chief Clerk of the Illinois Commerce Commission, 527 East Capitol Avenue, Springfield, Illinois, the Response of the Staff of the Illinois Commerce Commission to AT&T's Motion to Sever TELRIC Cost Studies for Consideration in a Separate Proceeding, a copy of which are hereby served upon you.


David W. McGinn
Illinois Commerce Commission
160 N. LaSalle Street
Suite C-800
Chicago, Illinois 60601
(312) 793-2877

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of the foregoing Notice, together with the documents referred to therein, were served upon the parties on the attached Service List, by fax, or hand delivery, postage prepaid, on this 28th day of August, 1996.


David W. McGinn

Service List
AT&T/IST
96 AB-003/4
08/28/96

Louise Sunderland, Nancy Wittebort
Ameritech Illinois
HQ 27C
225 West Randolph Street
Chicago, IL 60606

Charlotte Terkeurst
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, Illinois 62794-9280

Donna Caton
Chief Clerk
Illinois Commerce Commission
527 East Capitol Avenue
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William Davis, Cheryl Urbanski,
W.E. McQueen
AT&T Communications of Illinois, Inc.
6M
227 West Monroe Street
Chicago, IL 60606

Don Woods
Barbara Rogers
Hearing Examiners
Illinois Commerce Commission
527 East Capitol Avenue
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Theodore Livingston, Guy Ward
Dennis G. Friedman, Christian F. Binnig
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190 South LaSalle Street
Chicago, Illinois 60603

Jake Jennings
Illinois Commerce Commission
527 East Capitol Avenue
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G. Darryl Reed, David McGarr
Carman Fesco
Illinois Commerce Commission
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160 N. LaSalle Street, Ste. C-800
Chicago, IL 60601-3104

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

AT&T COMMUNICATIONS OF ILLINOIS, INC.	:	
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interconnection rates, terms and	:	
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AMERITECH ILLINOIS	:	
	:	
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conditions and related arrangements	:	96 AB 003
with AT&T of Illinois	:	

**STAFF'S RESPONSE TO AT&T'S MOTION TO SEVER TELRIC COST
STUDIES FOR CONSIDERATION IN A SEPARATE PROCEEDING**

NOW COMES the Staff of the Illinois Commerce Commission ("Staff"), and for its response to AT&T Communications of Illinois Inc.'s ("AT&T") Motion to Sever TELRIC Cost Studies for Consideration in a Separate Proceeding, states as follows:

In its Motion, AT&T asserts that review of Illinois Bell Telephone Company's ("IBT's") TELRIC studies should be severed from the instant arbitration proceeding, and reviewed in a separate proceeding. In support of its Motion, AT&T makes the following arguments: (1) Ameritech completed its TELRIC studies prior to the issuance of the FCC Interconnection Order; (2) review of TELRIC studies is a complex time consuming process and there is insufficient time in the arbitration process; and, (3) the FCC anticipated the time which would be needed to review TELRIC studies by setting proxies that states could use.

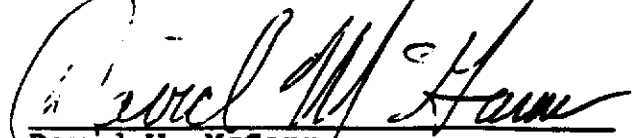
Staff agrees in principle with a number of the assertions AT&T makes in support of its motion. Staff agrees that it will be impossible to thoroughly review the TELRIC studies in the time

allotted for the arbitration process. There are a number of components of the TELRIC studies that should be thoroughly reviewed including: the cost of capital, fill factor, and depreciation/economic life. In addition to examining the proper method and data to be used in calculating TELRIC, the Commission must also review the proper method to allocate a reasonable share of shared and common costs. Further, allocating shared and common costs cannot be accomplished through a piece meal filing; rather, shared and common costs must be allocated over all TELRIC studies, not just the elements being arbitrated in the instant proceeding. The determination of the proper method of identifying and allocating a reasonable amount of shared and common costs will be as difficult as examining the TELRIC studies. Thus, Staff believes the Commission should determine the proper proxy costs to be used in lieu of the TELRIC studies in the instant proceeding.

As to AT&T's motion to sever the issue into a separate, proceeding, Staff believes that the initiation of a separate proceeding would be appropriate. Staff believes that reviewing the TELRIC studies and allocation of shared and common costs should be undertaken in an open proceeding addressing TELRIC costs for all network elements, allowing all parties the opportunity to comment and present evidence.

WHEREFORE, for all of the foregoing reasons, Staff respectfully requests that its recommendations be adopted without change.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "David W. McGann", written over a horizontal line.

David W. McGann
Staff Counsel
Illinois Commerce Commission
160 North LaSalle Street
Suite C-800
Chicago, Illinois 60601
(312) 793-2877